

ADB Provides USD 100 Million to Boost Finances of Punjab

The Asian Development Bank (ADB) has approved a loan of USD 100 million as the third and last tranche of a USD 200 million policy-based program to strengthen the finances of Punjab. The state currently has huge revenue and fiscal deficits. Reining in the power subsidy burden on state finances will help generate more resources for capital spending, while rationalizing expenditures such as salaries and pensions will help strengthen fiscal discipline. The program, first approved in November 2014, specified a total of 22 policy actions to be taken by Punjab to create fiscal space in the state to sustain capital investment and improve services.

Release of the third tranche required compliance with seven policy actions. These included adoption of the state fiscal responsibility and budget management rules in October 2018; approval of a medium-term framework for FY2017-2019 that sets realistic targets for a fiscal framework and capital outlay; implementation of a gender-responsive expenditure framework for the health, education, power, and public works departments; installation of a comprehensive electronic database on Punjab government employees and pensions to help keep better track of wages and benefits payable; and implementation of cash forecasting methodology for the treasury.

The Punjab government has fully complied with these five third-tranche policy actions while the other two policy actions—changes in the tax deduction at source for works contracts and revisions to the turnover tax rate—were subsumed under the Goods and Services Tax.

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Warm regards,

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